

Jeremiah W. (Jay) Nixon
Governor



Chester L. White
Director

Kelvin L. Simmons
Commissioner

State of Missouri
OFFICE OF ADMINISTRATION
Division of Personnel
430 Truman Building, 301 W. High Street
PO Box 388
Jefferson City, Missouri 65102
www.oa.mo.gov/pers
EMAIL: persmail@oa.mo.gov

(573) 751-4162
FAX (573) 751-8641

August 11, 2009

TO: Appointing Authorities, Personnel Officers and Unions Representing
State Employees

FROM: Chester L. White, Director

SUBJECT: FY 2011 Pay Plan Recommendations

Attached, please find a copy of the Personnel Advisory Board's Pay Plan
Recommendations for FY 2011 as provided to Governor Nixon on August 11, 2009.

The Board's focus this year is on statewide within-grade increases along with the 2%
General Structure Adjustment.

The Board's recommendations for within-grade salary advancements will lay the
foundation for a long range compensation system that is competitive with the labor
market and provides recognition of the performance and contributions of state
employees.

Attachments

FY 2011 Pay Plan Recommendations

PERSONNEL ADVISORY BOARD
August 11, 2009

Summary of the Recommendations

Pay Plan Element	Amount of Increase per Employee	Employees Affected
Within-Grade Salary Increase, Funding Level 1.55%	Approximately 1.9%	Employees rated Successful or better in PERforM
General Structure Adjustment	Approximately 2.0%	Virtually all employees
Repositioning	1 range, 3.24%-5.70% As determined by range and step in Pay Plan	5 Job Classes in 4 Agencies 5 classes repositioned one pay range (189 employees)

Within-Grade (WIG) Salary Increases are advancements within the pay range to which an employee's job classification is assigned.

The General Structure Adjustment is an estimate of the amount it will take to adjust state wages in light of current economic factors.

Repositioning is the assignment of a job class to a higher pay range based on external competitiveness of pay rates, turnover and/or internal equity.

ALL AGENCIES				
Pay Plan Element	General Revenue	Non-General Revenue	Total	Percentage of Total Personal Services
Within-Grade Increase	\$17,070,488	\$17,617,729	\$34,688,217	1.6%
General Structure Adjustment	\$22,026,436	\$22,732,554	\$44,758,990	2.0%
Repositioning	\$96,867	\$97,868	\$194,735	0.01%
Total All Agencies, Salary Only	\$39,193,791	\$40,448,151	\$79,641,942	3.6%
Benefits	\$11,620,959	\$11,992,877	\$23,613,836	
Total All System Agencies, Salary plus Benefits	\$50,814,750	\$52,441,028	\$103,255,778	

The General Structure Adjustment and Within-Grade estimates are based on FY 2010 Total Personal Service Appropriations. The Repositioning estimate is based on April 2009 data from the SAM II HR/Payroll System. Above estimates include fringe benefits tied to salaries of 29.65%. The estimated costs for the Uniform Classification and Pay (UCP) System are on page 11.

Introduction

The Personnel Advisory Board (PAB) provides oversight of the Uniform Classification and Pay (UCP) system. The UCP system consolidates the various types of work performed in state government into homogeneous classes of positions. Each class is assigned to a pay range with a minimum and maximum rate of pay.

Each year, interested parties, including the agencies, unions, and private individuals, are provided the opportunity to give testimony to the PAB concerning pay issues in state government at the June public hearing. The Director of Personnel reviews those requests and proposes to the PAB recommendations for pay increases (referred to as the “pay plan”) for the coming fiscal year. To coincide with the budget cycle, these recommendations are provided to the Governor and state budgeting authorities a year in advance of the fiscal year for which they would be effective. Fiscal Year 2011 recommendations are issued after the budget instructions in the summer of 2009. The recommendations provide the framework for pay raises that address compensation issues confronting state government and the recruitment and retention of qualified, productive and motivated employees.

An effective system for salary administration accomplishes many objectives for an organization. It attracts new employees; retains trained, competent workers by acknowledging their increased proficiency and contributions; and adjusts to meet the demands of the labor market. The PAB’s annual pay plan recommendations are designed to accomplish these objectives. These objectives are not met by across-the board, flat-dollar increases (see page 10). An effective plan for salary administration needs to be adopted, maintained and adjusted on an on-going basis.

Here is a summary of the specific increases proposed by the PAB for FY 2011 and the objective that each increase is designed to address.

Within-Grade Increases (1.55% Funding Level)

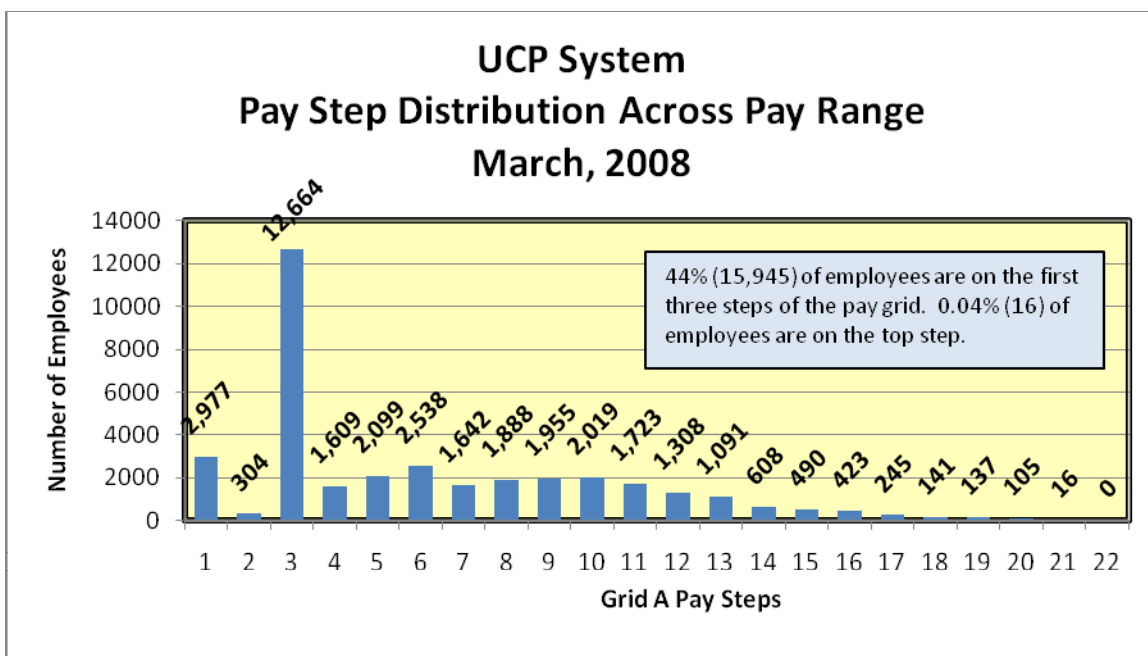
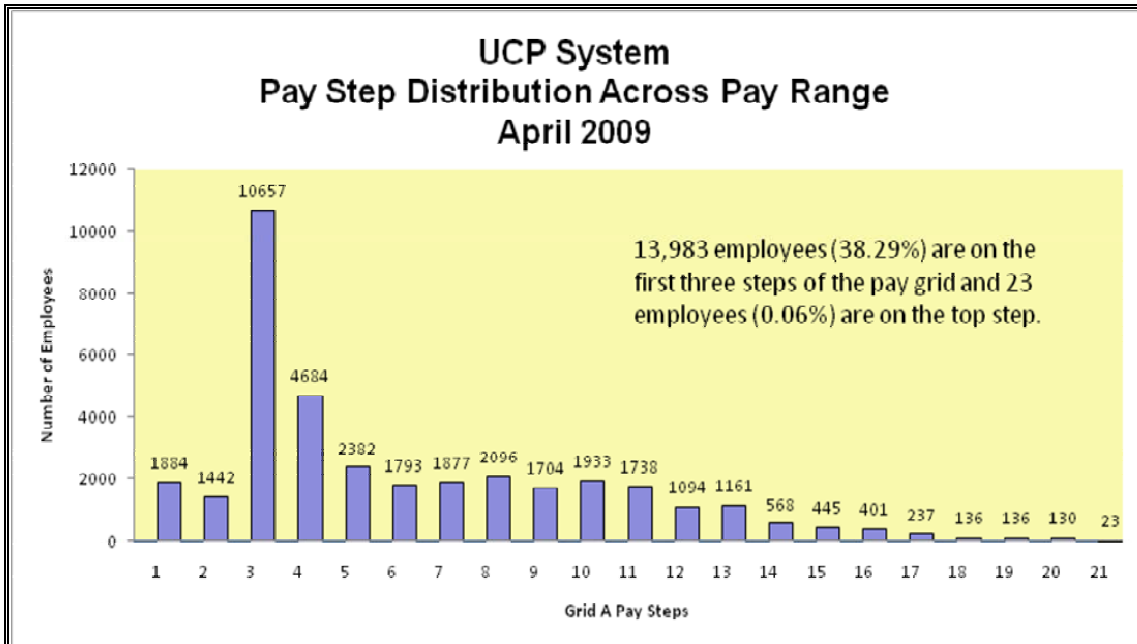
In the UCP system, an employee is usually hired at the lowest step available on the pay range. After successful completion of probation, an employee is frequently provided with a two step WIG salary advancement which is approximately a 3.8% increase.

As an employee’s performance and contributions to the agency increase, their salary should increase as well. WIG increases reinforce successful performance and enhance employee morale as their salary increases along with their increased proficiency, experience and contribution to the agency. They provide employee incentive and recognize individual differences in performance among employees in the same class. However, in the UCP system these types of increases are NOT automatically provided to state employees and are usually specifically funded through the appropriations process.

The funding of system-wide WIG increases has not occurred since July 2000 (FY 2001). As a result, the pay plan has developed severe low-end pay compression, or the grouping of salaries within a job class at the low end of the pay range. Approximately 38% of employees are paid on the first three steps of the pay grid. If the employees have remained in the same job title since July 2000, employees with up to nine years of

experience would be receiving the same pay as employees who just completed their six-month probation.

The pay compression has eased somewhat this year compared to last year due to legislation passed outside of the pay plan recommendations for specific job classifications at the Department of Corrections and Department of Mental Health. As you can see in the charts below, pay compression within the first three steps of the pay grid was reduced about 6% by providing a one step increase to over 6,000 Security Aides, Corrections Officers and Supervisors, and Probation & Parole Assistants. Similar requests on behalf of all state employees have been made over the last nine years via the pay plan recommendations; none have been approved in that time.



WIGs address internal equity and boost our average salaries thereby addressing external competitiveness. These salary advancements move employees through the pay ranges, thus reducing the pay compression that exists between experienced workers and new employees.

A one step WIG salary advancement is recommended for those employees who have a minimum of eighteen months of state service by July 1, 2010 and whose performance is Successful or better. System-wide WIG increases have historically been provided only to Successful employees. This is approximately a 1.9% increase. Employees who meet these requirements but are not paid from the grid (such as broadbanded managers) would be eligible for up to a 1.9% increase. Employees who are at the top step of the grid, who have salaries at the maximum of the broadbanded range, or who have salaries “red-lined” above those grids/ranges will not be eligible for the WIG. This would affect approximately 209 out of about 37,880 employees, or .55%.

The adoption of a consistent, realistic salary administration policy would minimize the need for future repositioning adjustments. Systemically, funding each year of WIG salary advancements and a GSA would provide the continuity of increases necessary to reward employees in a manner that is tied to performance and fosters the recruitment and retention of state employees.

The PAB believes it is imperative to provide on-going WIG increases in recognition of performance. Over time, it is believed that consistently funded WIG increases recognizing the performance of employees will help resolve the low-end compression of state salaries, aid in the retention and recruitment of qualified employees, and significantly increase employee morale.

General Structure Adjustment (2.0%)

The General Structure Adjustment (GSA) is an estimate of the amount it will take to adjust state wages in light of current economic factors. Virtually all state employees receive the GSA. Increases for temporary or seasonal workers are determined by each agency. The recommended GSA would increase each employee's pay rate by approximately 2.0% effective July 1, 2010.

The PAB advocates a percentage based increase to maintain the distinctions between pay rates and pay ranges which are designed to recognize differences in duties, responsibilities, working conditions and the overall requirements of different types of work.

The recommendation is based upon four published economic reports: the Consumer Price Index (monthly regional data from the Bureau of Labor Statistics); the Employment Cost Index (quarterly regional data from the Bureau of Labor Statistics); the World at Work Actual Salary Structure Increases (annual survey of North American companies from a national compensation organization); and the Growth in Personal Income in Missouri (quarterly state data from the Bureau of Economic Analysis).

THE CONSUMER PRICE INDEXES (CPI)

The Consumer Price Indexes (CPI) program produces monthly data on changes in the prices paid by urban consumers for a representative basket of goods and services. It is calculated by the Bureau of Labor Statistics on a monthly basis. The CPI reflects the spending patterns for two population groups; all urban consumers and urban wage

earners/clerical workers. We utilize the “All Urban Consumers”, as it is representative of 87% of the population. The CPI reflects changes in the prices of goods and services purchased directly in the marketplace.

We utilize the CPI data by calculating the percentage change from the previous year to the current year. This percentage change is then averaged with the other indicators to calculate a recommendation for the GSA.

EMPLOYMENT COST INDEX (ECI)

The Employment Cost Index (ECI) was developed in the early 1970’s to aid in economic analysis. It was developed in response to policy makers’ need for a timely, accurate and comprehensive indicator of changes in employers’ labor costs that was free from the influence of employment shifts among industries and occupations.

Analysts and policy makers, including the Federal Reserve Board, use the ECI to form monetary policies and to monitor the effects of those policies. The ECI is used to forecast wage trends, and facilitate wage and benefit cost planning.

The ECI is also used in the Federal pay-setting process. The Ethics Reform Act of 1989 specifies that the pay of Congress, Federal judges, and top Government officials would be increased each year by the change in wages and salaries for private industry workers (an ECI measure), less 0.5 percentage point. The Federal Employees Pay Comparability Act of 1990 specifies that the ECI will be used to adjust pay for General Schedule employees.

We calculate the percentage change in the ECI from the previous year to the current year. This percentage change is then averaged with the other indicators to calculate a recommendation for the GSA.

WORLD AT WORK SALARY BUDGET SURVEY

The *WorldatWork Salary Budget Survey* is the largest and most comprehensive salary budget survey in the industry. It is published on an annual basis and is the longest-running survey of its type, established over 35 years ago. Currently, the survey reports data for more than 14.2 million U.S. and Canadian employees who are working at over 2500 companies.

A salary budget survey is a benchmark used by employers and HR professionals to support pay increase recommendations. Base pay increases may come from merit increases, cost of living increases or general increases. Salary budgets include the total amount of money allocated by an organization for all employee salaries. It does not include other employment costs, i.e. medical/dental insurance, payroll taxes, etc.

We utilize the World at Work average by averaging that percentage with the other indicators to calculate a recommendation for the GSA.

GROSS PERSONAL INCOME (GPI)

The Bureau of Economic Analysis calculates changes in Gross Personal Income (GPI). We utilize GPI data specifically for the State of Missouri. Personal income is the income received by all persons from all sources. The data used in the calculation of the GSA entails the sum of net earnings by place of residence. The report of personal income is based on state estimates.

We calculate the percentage change in the GPI for Missouri from the previous year to the current year. This percentage change is then averaged with the other indicators to calculate a recommendation for the GSA.

General Structure Adjustment Economic Indicators	Percentage
<u>Consumer Price Index (CPI-U)</u> U.S. Department of Labor, Bureau of Labor Statistics All Urban Consumers (Midwest), Increase for month ending March 2009 over March 2008	-0.84%
<u>Employment Cost Index (ECI)</u> U.S. Department of Labor, Bureau of Labor Statistics Midwest (West North Central) Region for Private Industry Workers Wages and Salaries (excludes Benefits), Increase for quarter ending December 2008 over December 2007	3.2%
<u>World at Work Actual Salary Budget Increases</u> Projected for 2009 for Non-Exempt Salaried Workers, Special Update February 3, 2009	3.1%
<u>Growth in Personal Income in Missouri (GPI)</u> U.S. Department of Commerce, Bureau of Economic Analysis Increase in Personal Income for quarter ending December 2008 over December 2007	2.70%
Average of the Indicators Listed	2.04%

Percentages are calculated based on the amount of growth of available compared to last year's report for the same time frame. The percentage increases are averaged, to provide a consistent basis for the recommendation.

Repositioning (5 Classes in 4 Agencies)

Repositioning is an element of the pay plan recommendations designed to address internal equity and external competitiveness. It is the assignment of a job class to a different pay range. A one range repositioning of a job class results in an increase of roughly 3.8% for an employee.

Repositioning requests are made by the agencies to the PAB, typically at the pay plan hearing in June. Division of Personnel staff evaluate the recommendations for internal equity and external competitiveness utilizing data contained in the salary surveys, turnover rates, distribution of employee pay in the pay ranges, recruitment experience, etc. A final proposal for repositioning is then made to the PAB and discussed with the PAB in detail. The final repositioning list provided on page 7 represents the results of the recommendations and the discussion with the PAB.

FY 2011 REPOSITIONING LIST BY CLASS WITH CURRENT AND PROPOSED PAY RANGES

INDEX #	CLASS TITLE	FY2010 Pay Range			Range Movement	Proposed FY2011 Pay Range*			# Ees**	Est. Step Cost
		FY10 Range	FY10 Min Sal	FY10 Max Sal		FY11 Range	FY11 Min Sal	FY11 Max Sal		
3005	Academic Teacher I	A17	\$27,660	\$38,700	1	A18	\$28,596	\$40,212	12.5	\$11,916
4407	Habilitation Specialist I	A17	\$27,660	\$38,700	1	A18	\$28,596	\$40,212	11.5	\$9,048
5076	Youth Specialist I	A15	\$25,944	\$35,952	1	A16	\$26,784	\$37,296	116	\$95,412
5278	Clinical Casework Asst I	A16	\$26,784	\$37,296	1	A17	\$27,660	\$38,700	13.5	\$12,504
5279	Clinical Casework Asst II	A18	\$28,596	\$40,212	1	A19	\$30,096	\$41,712	35.5	\$65,856
TOTALS									189	\$194,736

5 classes affecting 189 employees in 4 state agencies: The Departments of Corrections, Mental Health, Public Safety, and Social Services. (DMH uses Academic Teacher I, but does not currently have an employee occupying that title.)

*Proposed increase for FY2011 Pay Range based on FY2010 pay grid, as the FY2011 pay grid is unknown.

**The number of employees is based on figures from turnover data retrieved as of 3/31/09.

ACADEMIC TEACHER I (From Range 17 to Range 18)

The PAB is recommending a one range repositioning because we believe that the job class is out of line with other teaching job classes within the UCP. Academic Teacher I currently resides on range 17; Vocational Teacher I & Special Education Teacher I currently are on range 18. It seems to be a mystery as to why this situation exists. The minimum qualifications for the Academic Teacher I demand a Bachelor's degree, with no possible substitution. The Vocational Teacher I, on the other hand, has no requirement for a degree—only a high school diploma or equivalency and three years of experience. Further, range 18 is the typical starting range for positions requiring a Bachelor's degree.

There are 12 Academic Teacher I's in the UCP, in the Departments of Corrections and Social Services. The Department of Mental Health utilizes this class, but currently does not have employees occupying that title. The next step in this series is Academic Teacher II, which is currently on range 21. Repositioning should not cause problems in the agencies' ability to promote employees.

Pay Range	Academic Teacher Series	Vocational Teacher Series	Special Education Teacher Series
25	Academic Teacher III	Vocational Teacher III	Special Ed. Teacher III
24			
23			
22	Academic Teacher II	Vocational Teacher II	Special Ed. Teacher II
21			
20			
19	Academic Teacher I	Vocational Teacher I	Special Ed. Teacher I
18			
17			
16			

YOUTH SPECIALIST I (From Range 15 to Range 16)

The PAB is recommending a one range repositioning because we believe that the job class is out of line with the Corrections Officer I, which was repositioned from range 15 to range 16 in fiscal year 2007. The Youth Specialist positions deal with juvenile offenders; thus there are similarities to the work of a Corrections Officer I. The minimum qualifications for a Youth Specialist I require either two years of college coursework or two years of specialized experience working with youth and a high school diploma or equivalency. The minimum qualifications for a Corrections Officer I are two years of any kind of job experience. Previously the Department of Corrections requested and was authorized to use shift differentials for their Corrections Officers. However, the Department of Social Services/ Division of Youth Services have not made a similar request and thus the Youth Specialists are not currently eligible for any shift differential.

While a Youth Specialist I will typically be promoted to the II level, this process takes a minimum of two years—not the typical one year with most multi-allocated positions. Voluntary turnover is also somewhat high in this job class, 24.1% as of April 1, 2009. There are a total of 116 employees in this class. The range for the Youth Specialist II is range 18; thus this repositioning should not adversely affect the ability of the agency to promote employees.

HABILITATION SPECIALIST I (from Range 17 to Range 18)

The PAB is recommending a one range repositioning for the Habilitation Specialist I because we believe the range assignment, like the Academic Teacher I, is too low for the required minimum qualifications. The qualifications for a Habilitation Specialist I require a Bachelor's degree with at least 24 hours in specialized areas. This is a substantially greater requirement than most job classes on range 18 already. Most entry-level positions (and this position is such) that require a college degree are placed on range 18. In addition, a large majority of those job classes on range 18 allow for experience to substitute for the Bachelor's degree. In the case of the Habilitation Specialist I, the only substitution of experience for the Bachelor's degree is experience as a Registered Nurse (a Medicaid requirement)—and to be a Registered Nurse one already has to have some sort of post-secondary degree or specialized diploma.

The promotional job class for this class is the Habilitation Specialist II, which is on range 22—a difference of 5 ranges. Repositioning the Habilitation Specialist I class to range 18 should not encumber the agency (Mental Health) from promoting from that level. There are currently 11 employees in this class.

CLINICAL CASEWORK ASSISTANT I (from Range 16 to Range 17)**CLINICAL CASEWORK ASSISTANT II (from Range 18 to Range 19)**

The PAB is recommending a one range repositioning for both the Clinical Casework Assistant (CCA) I and II. This is a similar situation to the Academic Teacher I and the Habilitation Specialist I—the minimum qualifications are substantially greater than other job classes on their current ranges. The CCA I requires a Bachelor's degree with 15 hours in one or a combination of specific areas; the CCA II requires either (a) two years as a CCA I, or (b) a Bachelor's degree in Social Work, or (c) a Bachelor's degree with 24 hours in one or a combination of Social Work, Psychology, or Sociology AND specialized clinical casework experience. There are no acceptable experience substitutions for the required education. These minimum requirements are substantially greater than most entry-level job class currently on range 18.

There are currently 13 employees in the CCA I job class and 35 employees in the CCA II job class. A one range repositioning should not cause difficulties for the agency in regards to promotional opportunities from these classes.

Percentage versus Flat Rate Increases**A percentage based salary increase benefits employees, and the state as an employer, by:**

- ❑ Providing greater parity with percentage pay increases provided in the labor market by private and public employers, including the federal government. Essentially, this allows the state to keep in step with market increases, market forces and market practices.
- ❑ Maintaining consistent distinctions between the pay of state jobs to compensate employees for the level of duties performed.
- ❑ Maintaining a monetary incentive for employees to seek promotional opportunities.
- ❑ Facilitating retention of employees in jobs requiring extensive educational or experiential preparation, and for which the state has invested significant resources in employee training and development.
- ❑ Facilitating the recruitment of professional employees for whom the state competes at higher pay levels.
- ❑ Facilitating retention of trained, experienced and productive staff, helping to reduce training costs associated with extensive turnover.

Flat dollar increases, on the other hand, cause difficulties for both employees, and especially the state as the employer:

- ❑ Flat dollar salary increases create pay compression between the ranges. They are a disincentive to employees to take on additional responsibilities, especially supervising other staff. In some cases, employees may be able to earn more than their supervisors because employees may be paid for overtime.
- ❑ Pay increases that result in a five percent increase for some and less than two percent for others will be seen as unfair and will affect morale.
- ❑ Past pay plans have already created inequities. Between 1986 and 2007, the cumulative increase in the lowest pay rate was 64 percent, while the increase in the highest pay rate was 32.5 percent.
- ❑ Flat dollar salary increases erode the distinctions and lessen the value of higher levels of skills and education. Flat dollar increases over time result in the state paying less than the market for higher paid workers in difficult to fill positions.
- ❑ Flat dollar salary increases result in lower reward to employees who have demonstrated the greatest initiative in developing their skills and abilities.

ESTIMATED COSTS OF THE FY 2011 PAY PLAN RECOMMENDATIONS

UNIFORM CLASSIFICATION & PAY SYSTEM				
Pay Plan Element	General Revenue	Non-General Revenue	Total	Percentage of Total Personal Services
Within-Grade Increase	\$12,799,188	\$9,112,250	\$21,911,438	1.6%
General Structure Adjustment	\$16,515,081	\$11,757,742	\$28,272,823	2.0%
Repositioning	\$96,867	\$97,868	\$194,735	0.01%
Total UCP System Agencies, Salary Only	\$29,411,135	\$20,967,861	\$50,378,996	3.6%
Benefits	\$8,720,402	\$6,216,971	\$14,937,372	
Total UCP System Agencies, Salary plus Benefits	\$38,131,537	\$27,184,831	\$65,316,368	
NON-UCP SYSTEM AGENCIES				
Pay Plan Element	General Revenue	Non-General Revenue	Total	Percentage of Total Personal Services
Within-Grade Increase	\$4,271,300	\$8,505,479	\$12,776,779	1.6%
General Structure Adjustment	\$5,511,355	\$10,974,812	\$16,486,167	2.0%
Repositioning	\$ -	\$ -	\$0	0.00%
Total Non-UCP System Agencies, Salary Only	\$9,782,656	\$19,480,291	\$29,262,946	3.6%
Benefits	\$2,900,557	\$5,775,906	\$8,676,464	
Total Non-UCP System Agencies, Salary plus Benefits	\$12,683,213	\$25,256,197	\$37,939,410	
ALL AGENCIES				
Pay Plan Element	General Revenue	Non-General Revenue	Total	Percentage of Total Personal Services
Within-Grade Increase	\$17,070,488	\$17,617,729	\$34,688,217	1.6%
General Structure Adjustment	\$22,026,436	\$22,732,554	\$44,758,990	2.0%
Repositioning	\$96,867	\$97,868	\$194,735	0.01%
Total All Agencies, Salary Only	\$39,193,791	\$40,448,151	\$79,641,942	3.6%
Benefits	\$11,620,959	\$11,992,877	\$23,613,836	
Total All System Agencies, Salary plus Benefits	\$50,814,750	\$52,441,028	\$103,255,778	

The General Structure Adjustment and Within-Grade estimates are based on FY 2010 Total Personal Service Appropriations. The Repositioning estimate is based on April 2009 data from the SAM II HR/Payroll System. Above estimates include fringe benefits tied to salaries of 29.65%.

Information provided about the background of the following programs was obtained by: CPI: Bureau of Labor Statistics, www.bls.gov; ECI: Bureau of Labor Statistics, <http://www.bls.gov/ncs/ect/sp/ecbl0014.pdf>; WOW: World at Work, the Total Rewards Association, <http://www.worldatwork.org/waw/adimLink?id=33282>; and GPI: Bureau of Economic Analysis, <http://www.bea.gov/index.htm>.